

**KANSAS OFFICE OF THE STATE BANK COMMISSIONER
TOPEKA, KANSAS**

And

**FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.**

In the Matter of

**BISON STATE BANK
BISON, KANSAS**

(Insured State Nonmember Bank)

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CONSENT ORDER

OSBC-2014-248

FDIC-14-0326b

The State of Kansas, Kansas State Banking Board ("KSBB"), is the appropriate State banking authority for Bison State Bank, Bison, Kansas ("Bank") under Kansas Statutes Annotated 9-1807. The Federal Deposit Insurance Corporation ("FDIC") is the appropriate Federal banking agency for the Bank under 12 U.S.C. § 1813(q).

The Bank, by and through its duly elected and acting Board of Directors ("Board"), has executed a "Stipulation to the Issuance of a Consent Order" ("Stipulation"), dated September 12, 2014, that is accepted by the KSBB and the FDIC. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound practices

or violations of law or regulation, to the issuance of this Consent Order ("Order") by the KSBB and the FDIC.

Having determined that the requirements for issuance of an Order under Kansas Statutes Annotated 9-1807 and 12 U.S.C.

§ 1818(b), have been satisfied, the KSBB and FDIC hereby order the following:

1. Maintain Qualified Management.

(a) Within 45 days from the effective date of this Order, the Bank shall develop a written Management Plan ("Management Plan"). The Management Plan shall include at least the following:

(i) an assessment of the ability of Board and the existing Bank officers to achieve compliance with this ORDER and return the bank to a satisfactory condition;

(ii) within 15 days after the effective date of this Order, the Bank shall have a plan in place to ensure a president and/or chief executive officer (CEO) is at the Bank on a daily basis. The plan shall incorporate an appropriate time frame to have a president and/or chief executive officer (CEO) at the Bank, and the plan shall coincide with the assessment of management. The president and/or chief executive officer (CEO) shall possess the requisite knowledge, skills, and ability, giving

consideration to the size and complexity of the Bank, to operate the Bank in a safe and sound manner and in compliance with applicable laws and regulations.

(iii) identification of any training, support, guidance, and/or consulting services required or anticipated for the Board and the existing officers to achieve compliance with this ORDER and return the Bank to a satisfactory condition;

(iv) plans for acquiring any training, support, guidance, and/or consulting services identified in subparagraph (iii) above; and,

(v) develop a proper organizational chart to reflect changes to the organizational structure.

(b) Upon completion, the Management Plan shall be submitted for review and comment to the Kansas Office of the State Bank Commissioner and the Regional Director of the FDIC Kansas City Region (collectively, "Supervisory Authorities"). Within 30 days of receipt of any such comments, the Bank shall address such comments in the Management Plan, approve it, and thereafter follow that written plan.

2. Sensitivity to Market Risk.

(a) Within 15 days from the effective date of this ORDER, the Bank shall develop a written plan for the immediate

acquisition of an appropriate risk measurement tool that identifies the interest rate risk in the Bank's entire balance sheet, including an earnings simulation and a measurement of economic value of equity, and training to ensure that the Board understands the tool and how to use it. Upon completion, that plan shall be submitted to the Supervisory Authorities for review and comment. Within 20 days of receipt of any such comments:

(i) if the Supervisory Authorities do not object to the Bank's plan, the Bank shall acquire and utilize that risk measurement tool; or,

(ii) if the Supervisory Authorities do object to the Bank's plan, the Bank shall submit a revised plan for acquiring an appropriate risk measurement tool for review as described in this subparagraph (a).

(b) Within 30 days from the Bank's acquisition of the risk measurement tool described in subparagraph (a), the Bank shall revise its Asset and Liability Management Policy ("ALM Policy") to address the comments and recommendations in the May 12, 2014, Report of Examination, including interest rate risk limits for earnings at risk and economic value of equity. The ALM Policy shall also be consistent with the *Joint Agency Policy Statement on Interest Rate Risk*, FIL-52-96, dated July 12, 1996; the *Financial Institution Management of Interest Rate Risk*, FIL-

2-2010, dated January 20, 2010; and the *Supervisory Guidance-Interest Rate Risk Management: Frequently Asked Questions*, FIL-2-2012, dated January 12, 2012 (collectively, the "Regulatory IRR Guidelines"). The ALM Policy shall include requirements that an independent party back-test results annually, validate any assumptions utilized in the risk measurement tool, and verify the accuracy of the measurement tool. Upon completion, the Bank's revised ALM Policy shall be submitted to the Supervisory Authorities for review and comment. Within 20 days of receipt of any such comments, the Bank shall address such comments in the revised ALM Policy, approve it, and thereafter follow that policy.

(c) Within 30 days from the Bank's approval of the revised ALM Policy, the Bank shall develop a written plan to reduce the Bank's interest rate risk ("IRR Plan") in a manner that complies with the Bank's ALM Policy and the Regulatory IRR Guidelines, and in particular includes:

(i) specific goals for reducing interest rate risk and methods by which those goals will be achieved; and,

(ii) at least quarterly reporting to the Board of the results of the risk measurement tool.

Upon completion, the IRR Plan shall be submitted to the Supervisory Authorities for review and comment. Within 30 days of receipt of any such comments, the Bank shall address such

comments in the IRR Plan, approve it, and thereafter follow that written plan.

3. Earnings.

(a) Within 90 days of the effective date of this ORDER, the Bank shall develop a written plan to improve its earnings ("Profit Plan"). The Profit Plan shall include at least the following:

(i) establish the Bank's specific objectives for asset growth, balance sheet composition, loan portfolio growth and mix, capital maintenance, and profitability;

(ii) project the timing and expenses associated with the Bank's upcoming necessary upgrades to its computer system;

(iii) review all elements of the Bank's income and expenses and identify any possible improvements; and,

(iv) review loan pricing strategies.

(b) Upon completion, the Profit Plan shall be submitted to the Supervisory Authorities for review and comment. Within 30 days of receipt of any such comments, the Bank shall address such comments in the Profit Plan, approve it, and thereafter follow that written plan.

(c) The Board shall review the Bank's income and expenses and compare actual performance to previous projections at least monthly, and record such review and evaluation in its minutes

for the meeting at which such review is conducted.

(d) By the beginning of each calendar year following the effective date of this ORDER, the Bank shall develop a budget for that calendar year, which also identifies and explains the underlying assumptions and reflects the plans to improve the Bank's earnings.

4. Liquidity.

(a) Within 90 days of the effective date of this ORDER, the Bank shall develop a written plan for improving liquidity ("Liquidity Plan"). The Liquidity Plan shall be consistent with the *Interagency Policy Statement on Funding and Liquidity Risk Management*, FIL 13-2010, dated April 5, 2010. The Liquidity Plan shall include, at a minimum, a revision to the Bank's Contingency Funding Plan to include the following:

- (i) review and assessment of the Bank's funding sources and commitments;

- (ii) revision of the Bank's "Sources and Uses Report" to include interest on securities cash flows;

- (iii) details of how Bank management will monitor liquidity events, typically through stress testing of various scenarios in a pro forma cash flow format; and,

- (iv) identification of any backup sources for financing or borrowing, and the conditions and/or

limitations on such sources, including but not limited to legal, financial, or logistical constraints on such sources.

(b) Upon completion, the Liquidity Plan shall be submitted to the Supervisory Authorities for review and comment. Within 30 days of receipt of any such comments, the Bank shall address such comments in the Liquidity Plan, approve it, and thereafter follow that written plan.

5. Brokered Deposits

Upon the issuance of this ORDER and so long as this ORDER is in effect, the Bank shall not accept, increase, renew, or rollover any "brokered deposits", as defined in 12 C.F.R. § 337.6 (a) (2), without the prior written approval of the Supervisory Authorities.

6. Maintain Capital.

(a) While this Order is in effect, the Bank shall have and maintain the following minimum capital levels (as defined in Part 325 of the FDIC's Rules and Regulations), after establishing an appropriate allowance for loan and lease losses:

(i) Tier 1 capital at least equal to 8 percent of total assets; and

(ii) Total risk-based capital at least equal to 12 percent of total risk-weighted assets.

(b) In the event any ratio is or becomes less than the minimum required by subparagraph (a) of this provision, the Bank shall immediately notify the Supervisory Authorities, and shall:

(1) increase capital in an amount sufficient to comply with subparagraph (a); or (2) submit within 30 days a written plan for review and comment to the Supervisory Authorities, describing the primary means and timing by which the Bank shall increase its capital ratios up to or in excess of the minimum requirements set forth above, as well as a contingency plan in the event the primary sources of capital are not available. Within 15 days of receipt of any such comments, the Bank shall address such comments in the written plan and approve it, which approval shall be recorded in the minutes of the Board's meeting. Thereafter, the Bank shall implement and fully comply with the written plan.

(c) Any increase in Tier 1 capital necessary to meet the requirements of subparagraph (a) of this provision may not be accomplished through a deduction from the allowance for loan and lease losses without the prior written approval by the Supervisory Authorities.

7. Dividends.

While this Order is in effect, the Bank shall not declare or pay any cash dividends without the prior written approval of the Supervisory Authorities.

8. Elimination and/or Correction of Violations of Laws, Rules, and Regulations.

(a) Within 90 days after the effective date of this Order, and within 90 days after receipt of any future Report of Examination of the Bank by either of the Supervisory Authorities, the Bank shall eliminate and/or correct all violations of laws, rules, and regulations cited in the Report, or such future Reports.

(b) The Bank shall document any violation that cannot be corrected, and provide explanation for the lack of correction for review by the Board at its next monthly meeting. The board's review, discussion, and any action upon the uncorrected violation shall be recorded in its minutes.

9. Business/Strategic Plan

(a) Within 120 days of the effective date of this Order, and within 30 days from the first day in each calendar year thereafter, the Board shall develop a written three-year business/strategic plan covering the overall operation of the Bank and its goals and strategies, consistent with sound banking

practices, and taking into account the Bank's other written plans, policies, or other actions as required by this Order.

(b) The business/strategic plan and any subsequent modification thereto, shall be approved by the Board, which approval shall be recorded in the Board's minutes. Thereafter, the Bank shall implement and fully comply with the plan. A copy of the business/strategic plan, and any modifications thereto, shall be provided to the Supervisory Authorities with the next due progress report required below under the terms of this Order.

(c) At the Board's first meeting following the end of each calendar quarter, the Board shall evaluate the Bank's actual performance in relation to the plan required by this provision and shall record the results of that evaluation, and any responsive actions taken or to be taken by the Bank, in the Board's minutes.

10. Disclosure to Shareholders.

Following the effective date of this Order, the Bank shall provide a copy of this Order or otherwise furnish a description of this Order to its shareholders, in conjunction with (i) the Bank's next shareholder communication, and (ii) its notice or proxy statement preceding the Bank's next shareholder meeting. Any description shall fully describe the Order in all

material respects. Such description and any accompanying communication, statement, or notice shall be sent to the FDIC, Division of Risk Management Supervision, Accounting and Securities Disclosure Section, 550 17th Street, N.W., Room F-6066, Washington, D.C. 20429 for review at least 20 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

11. Progress Reports Detailing Compliance with Order.

Within 30 days after the end of each calendar quarter, the Bank shall furnish a written progress report to the Supervisory Authorities detailing the form, manner, and results of any actions taken to secure compliance with this Order. Upon written request by either of the Supervisory Authorities, the Bank shall furnish additional written progress reports to the Supervisory Authorities detailing the form, manner, and results of any actions taken to secure compliance with this Order.

12. Binding Effect.

The provisions of this Order shall not bar, estop, or otherwise prevent the KSBB, FDIC, or any other federal or state agency or department from taking any other action against the

Bank or any of the Bank's current or former institution-affiliated parties.

This Order shall be effective on the date of issuance.

The provisions of this Order shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this Order shall remain effective and enforceable except to the extent that and until such time as any provision has been modified, terminated, suspended, or set aside by the KSBB and FDIC.

Issued Pursuant to Delegated Authority

Dated the 2nd day of October, 2014.

KANSAS STATE BANKING BOARD

FEDERAL DEPOSIT INSURANCE
CORPORATION

By: /s/
Kurt A. Knutson, Chairman
Kansas State Banking Board

By: /s/
Mark S. Moylan
Deputy Regional Director
Kansas City Regional Office

By: /s/
Deryl K. Schuster, Secretary
Kansas State Banking Board